

## 8.1 Choose a Location

### True or False

**Directions** Place a *T* for True or an *F* for False in the Answers column to show whether each of the following statements is true or false.

- |   | <b>Answers</b> |
|---|----------------|
| 1. Downtown areas can be good locations for retail businesses because offices and professional buildings are often located there. | 1. _____       |
| 2. Community shopping centers are small centers that serve certain neighborhoods.   | 2. _____       |
| 3. Stand-alone stores must have a lot of parking because they often depend on drive-by traffic.                                   | 3. _____       |
| 4. Warehouses are generally one of the most expensive rental facilities for a retail business.                                    | 4. _____       |
| 5. For a travel agency or hair salon, location is less important than for a retail business.                                      | 5. _____       |
| 6. Wholesale companies need a location that attracts a lot of retail traffic.   | 6. _____       |
| 7. Industrial parks are usually located away from housing developments and downtown areas.  | 7. _____       |
| 8. An advantage of working at home is that many costs are reduced or eliminated.  | 8. _____       |
| 9. Your trade area is the area where all your competitors are located.  | 9. _____       |
| 10. You can find possible locations for your business just by driving around your trade area.                                     | 10. _____      |

### Multiple Choice

**Directions** In the Answers column, write the letter that represents the word, or group of words, that correctly completes the statement.

- |  | <b>Answers</b> |
|--|----------------|
| 1. Neighborhood shopping centers that house supermarkets, dry cleaners, and drugstores are (a) good locations for stores selling goods or services that people need to purchase frequently, (b) often called malls, (c) inconvenient for customers in the area, (d) not recommended for new business owners. | 1. _____       |
| 2. Anchor stores (a) are major tenants in shopping centers, (b) include department stores, large supermarkets, and large drugstores, (c) advertise heavily, (d) all of these.  | 2. _____       |
| 3. All of the following describe super-regional shopping centers <i>except</i> (a) they house hundreds of stores, (b) they charge very high rents, (c) they are recommended for new business owners, (d) they service a large area.  | 3. _____       |
| 4. Which of the following is <i>not</i> true about businesses operating in warehouses? (a) They are located near other retailers, (b) They have very low rent, (c) They do not have to look appealing on the inside, (d) They must advertise heavily.  | 4. _____       |
| 5. On your trade area map, you should mark the locations of (a) all shopping centers, (b) all buildings for lease, (c) all competitors, (d) banks and police stations.   | 5. _____       |
| 6. The location of a service business (a) is not important, (b) is important if customers visit the business, (c) should usually be in a neighborhood shopping center, (d) none of these.  | 6. _____       |
| 7. A key factor in determining where an industrial business locates is (a) drive-by traffic, (b) availability of good employees, (c) adequate parking, (d) property of nearby businesses.  | 7. _____       |
| 8. Industrial parks are usually located (a) where space is expensive, (b) near housing developments, (c) in downtown areas, (d) none of these.   | 8. _____       |
| 9. Areas that suffer from lack of employment opportunities are (a) usually low-crime areas, (b) enterprise zones, (c) industrial parks, (d) always near community shopping centers.  | 9. _____       |
| 10. Operating a home-based business (a) is cheaper than leasing business property, (b) increases networking opportunities, (c) makes business expansion easier, (d) all of these.  | 10. _____      |

## Problem Solving

**Directions** Answer the following questions in the space provided.

1. For each of the following businesses, decide what would be an appropriate location. Give reasons for your location selection.

a. Florist

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b. Hardware store

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c. Hair salon

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d. Electronics manufacturer

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e. Office supply store

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2. Why would a community want to attract industrial businesses by subsidizing rents?

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## 8.2 Obtain Space and Design the Physical Layout

### True or False

**Directions** Place a *T* for True or an *F* for False in the Answers column to show whether each of the following statements is true or false.

- |   | <b>Answers</b> |
|---|----------------|
| 1. Most entrepreneurs prefer to lease space for their businesses.   | 1. _____       |
| 2. For a gross lease, the landlord pays the property taxes and the tenant pays rent, insurance, and any other expenses. | 2. _____       |
| 3. Rent per customer equals the amount of rent times the number of projected customers.                                 | 3. _____       |
| 4. The amount of rent per customer can be used to compare possible locations for a business.                            | 4. _____       |
| 5. A scale drawing of your floor plan will help identify potential problems with your layout.                           | 5. _____       |
| 6. While fluorescent lighting should not be used in a retail clothing store, it is appropriate for a bookstore.         | 6. _____       |
| 7. Layout, lighting, and displays in a retail business should appeal to the target customer.                            | 7. _____       |
| 8. Layout of an on-site service business is considered as carefully as that of a retail business.                       | 8. _____       |
| 9. Wholesalers should design a layout that facilitates shipping and receiving.  | 9. _____       |
| 10. Attractiveness is the most important design factor for a manufacturing business.                                    | 10. _____      |

### Multiple Choice

**Directions** In the Answers column, write the letter that represents the word, or group of words, that correctly completes the statement.

- |   | <b>Answers</b> |
|---|----------------|
| 1. Most entrepreneurs lease business space because (a) it helps them obtain financing, (b) they prefer to stay in a particular location, (c) they can't afford to purchase property, (d) all of these.  | 1. _____       |
| 2. A lease in which the landlord pays all property expenses is a (a) net lease, (b) gross lease, (c) tax-free lease, (d) percentage lease.  | 2. _____       |
| 3. A lease in which the landlord receives a portion of the tenant's revenue each month in addition to rent is a (a) net lease, (b) gross lease, (c) tax-free lease, (d) percentage lease.   | 3. _____       |
| 4. A possible location for a business has rent of \$975 per month and projected traffic of 9,600 customers per month. Rent per customer is (a) \$0.08, (b) \$0.10, (c) \$0.98, (d) \$0.11.  | 4. _____       |
| 5. The layout, outside sign, and window displays of your business (a) should match your image, (b) should be similar to other retail businesses in the area, (c) are less important than the name of your business, (d) should never be changed.                              | 5. _____       |
| 6. In designing a layout for a retail business, you should (a) not be concerned about areas customers do not see, (b) place the cash register in the back of the store, (c) leave at least four feet of aisle space, (d) always use fluorescent lighting.                     | 6. _____       |
| 7. The goal of your layout should be to (a) attract customers to your store, (b) make their shopping experience a pleasant one, (c) gain repeat business, (d) all of these.   | 7. _____       |
| 8. The layout for an on-site service business (a) should emphasize organization, (b) is unimportant, (c) should be similar to a retail business, (d) needs attractive window displays.  | 8. _____       |
| 9. Wholesalers should (a) store merchandise by size, (b) store small items on the second floor, (c) keep walkways free of merchandise, (d) not keep items too close to the shipping dock.   | 9. _____       |
| 10. All of the following are important for a manufacturing business's layout <i>except</i> (a) supervisors should sit near each other, (b) exits should be clearly marked, (c) hazardous materials should be stored safely, (d) work teams should be situated close together. | 10. _____      |

## Problem Solving

**Directions** Answer the following questions in the space provided.

1. Why do most businesses prefer to lease space rather than buy a building?

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2. Determine the rent per customer for each of the following.

Location	Rent per month	Projected customer traffic per month	Rent per customer
Downtown	\$1,200	9,500	
Community shopping center	\$2,800	18,000	
Stand-alone store	\$1,050	7,400	

3. What would need to be included in a floor plan for a shop that sells and repairs bicycles and sells bicycle accessories?

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4. How can the layout of a wholesale business improve efficiency?

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5. Is a floor plan necessary for a home-based business? Why or why not?

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## 8.3 Purchase Equipment, Supplies, and Inventory

### True or False

**Directions** Place a *T* for True or an *F* for False in the Answers column to show whether each of the following statements is true or false.

	<b>Answers</b>
1. Some standard types of supplies are needed by all businesses.	1. _____
2. A startup business should initially purchase the minimum quantity of equipment and supplies needed.	2. _____
3. Vendors are companies that sell products and services to businesses.	3. _____
4. Most suppliers have similar prices, so you need to get a quote from only one vendor.	4. _____
5. You should choose the vendor that provides the best combination of products at a cost that fits your business.	5. _____
6. All businesses must purchase inventory before they can open for business.	6. _____
7. For a manufacturing business, inventory includes merchandise purchased with the intent of either reselling it or using it to produce the company's product.	7. _____
8. A startup business should not tie up too much cash in inventory.	8. _____
9. Ongoing businesses usually have a good idea of how much inventory they need.	9. _____
10. A reorder point needs to be determined only for products that sell quickly.	10. _____

### Multiple Choice

**Directions** In the Answers column, write the letter that represents the word, or group of words, that correctly completes the statement.

	<b>Answers</b>
1. Only some businesses need (a) office equipment, (b) office supplies, (c) furniture, (d) inventory.	1. _____
2. Sources of vendor information include all of the following <i>except</i> (a) the Internet, (b) insurance agencies, (c) trade magazines, (d) telephone directory.	2. _____
3. An estimate of how much you will pay for merchandise is (a) a quantity discount, (b) the financing terms, (c) a quote, (d) a letter of intent.	3. _____
4. Which of the following type of business does not always need inventory before it can open for business? (a) Service business, (b) Manufacturing business, (c) Retailing business, (d) Wholesaling business.	4. _____
5. For a retail business, inventory consists of (a) employee uniforms, (b) merchandise to be resold to customers, (c) parts needed to produce the business's product, (d) supplies.	5. _____
6. Determining the amount of inventory is particularly difficult for owners of new businesses because (a) their insurance may not cover damage to stored inventory, (b) they need to take advantage of quantity discounts, (c) they do not know what their level of sales will be, (d) all of these.	6. _____
7. To make sure you do not run out of stock unexpectedly, you can (a) establish a reorder point for each product you sell, (b) store extra inventory at a warehouse, (c) use only suppliers who guarantee to deliver in one day, (d) all of these.	7. _____
8. A reorder point is (a) an order to a supplier for additional items, (b) a predetermined level of inventory that signals when new stock must be purchased, (c) a reminder coded into a cash register, (d) none of these.	8. _____

## Problem Solving

**Directions** Answer the following questions in the space provided.

1. The first column of the following table lists the types of standard equipment and supply needs for most businesses. Complete the table by listing three items for each type of need.

Type	Items
Furniture	
Fixtures	
Office equipment	
Office supplies	
Maintenance supplies	
Kitchen supplies	

2. List five places where you can find information about vendors.

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3. Describe the different types of inventory.

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4. For each type of inventory, what are the consequences of being out of stock of a particular item?

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5. How can a business manage its inventory so it does not run out of stock unexpectedly?

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